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THEORETICAL BASES OF OPERATIONS OF MERGERS
AND ACQUISITIONS IN THE MODERN WORLD ECONOMY

The article is devoted to the theoretical aspects of transactions of mergers and acquisitions in the modern world economy. The basic theoretical and applied aspects of mergers and acquisitions of companies are determined and analyzed. Mergers and acquisitions strategies are explored as corporate management tools. The approaches to classification of mergers and acquisitions, participants of such transactions and their motives are generalized. In general, the importance of mergers and acquisitions is noted as an essential tool for improving the efficiency of corporate governance.

Key words: mergers and acquisitions, M&A, motives, strategic investor, financial investor, agreement.

Introduction. In modern conditions of intense competition in many industries, the issue of the struggle of enterprises for leading positions in the market is becoming topical. In the context of globalization and financial instability for many companies, mergers and acquisitions (M&A) are an integral element of corporate strategies. Intra-industry competition and external conditions often force companies to absorb or merge with competitors for growth, lower costs, regional expansion, and other competitive advantages. Through mergers and acquisitions, a company can acquire a powerful impetus to development. On the other hand, mergers and acquisitions act as an instrument of competitive competition for resources, markets, distribution channels, and technologies. Given this, the study of the processes of mergers and acquisitions is receiving more and more attention.

The goal of the research. This article analyzes the existing basic theoretical and applied aspects of the processes of mergers and acquisitions of companies and highlights the main motives and factors in the current conditions of the global economy.

Presentation of the main material. In world practice, merger and acquisition agreements (M&A) consider all transactions that involve the transition of corporate control over the company through the purchase or sale of the entire company or a significant part in it.

If we analyze this term by constituents, then a merger in its pure form is an association of two or more companies, as a result of which these companies cease to exist as separate legal entities. On the other hand, a new company is formed, which takes under its control and management all the assets and liabilities of the companies that merge and liquidate. The conclusion of such agreements is due to optimistic assumptions and expectations that the combined company will show better results than the components of the company separately. The owners of the newly formed company are former owners of the companies that have merged.

Acquisitions are usually defined as the purchase of the company in whole or in part, after which the company acquired or ceases to exist as a separate legal entity, or becomes a subsidiary of the company that acquired it. Thus, who buys, he becomes the owner of the purchase object (the whole company or a separate part in it).

Depending on the motives of mergers and acquisitions, industry characteristics and the specific situation, it depends on what type of transaction is used. In the works of foreign scholars a classification is given by the type of integration of the

company, implies the existence of such transactions: horizontal; vertical; conglomerate; generic.

Horizontal agreements are made between companies in the same industry. Such companies are competitors in the common market: they produce similar products, provide similar services and operate at the same stage of production. The result of the merger of such companies is to increase market share, increase competitiveness, in particular due to the scale effect and the reduction of competition. In addition, the likeness of companies simplifies integration and consolidation processes.

Vertical agreements involve the unification of companies that work at different stages of the production of certain products or services. In this case, one company is a producer of raw materials or a consumer for another company [1]. Such agreements provide, first of all, the opportunity to reduce the cost of production and the risks associated with interruptions in the supply of raw materials and jumps in prices for it, as well as to improve its quality. In turn, control over sales channels will help improve the pricing policy and increase the coverage area.

Conglomerate agreements include agreements that combine companies that operate in different sectors of the economy, are not rivals and are not in the relationship of the supplier-buyer, as in the case of vertical agreements. In this case, the advantages of the scale and synergy effect are rather negligible [2]. The motives of such deals can be speculative (when there is a vision that the cost of business will increase over time) or due to the desire to diversify business assets.

They also distinguish between tribal agreements, which are defined as associations of companies that produce interconnected goods. In this case, it is possible to use common sales channels, marketing, etc. [3].

As mergers and acquisitions take place not only within one country, they are divided into national or local agreements and cross-border agreements in which the participating companies are located in different countries. To use such a classification, it is more appropriate to take into account the country in which the company operates directly, namely producing goods or providing services, and not the country of registration of the company. This feature is due to the fact that some companies are registered in offshore areas to optimize taxation and protect their corporate rights. A more detailed classification of transactions is used: local, regional, national, international and transnational (with the participation of multinational corporations).

Acquiring a competitor or simply an economically attractive company does not always happen

with the consent of the management of both parties, which makes the classification of transactions friendly and hostile. Friendly agreements stipulate that all parties, namely the owners and management involved in the agreement of the companies, support this agreement [4]. Hostile deals characterize the situation when the management of the company being bought does not support such a decision and opposes the implementation of such an agreement.

In the modern world, both in foreign and in domestic practice, the categories of "mergers" and "acquisition" do not have a clear distinction and fixed terminology, often the formulations of mergers and takeovers become interchangeable. In fact, these categories have significant differences, and both in the conditions of the ukrainian and in the foreign economy require a thorough study of their essence.

Review of the mergers and acquisitions literature. V.A. Galanova, M.V. Chechetov [5] define the merger as a process of merging enterprises, the result of which is the creation of a new enterprise. However, these authors do not consider the merger of enterprises, in which one company dissolves in another and retains its legal autonomy. The diametrically opposite characteristic is given by the scientists D. Depamfilis and F. Reed [7; 8], who consider the merger only as a process of merger of enterprises, which involves the merger of one enterprise to another and dissolution in it. Perhaps the most expedient is the definition of the category of "merger": "A merger is a voluntary merger of enterprises, which involves the creation of a new legal entity or the merger of enterprises into the main (larger) enterprise".

In the case of a merger, the assets, rights and obligations of all or some of the merging parties pass to the successors. Mergers can take place in several ways: consolidation or accession.

Consolidation is a type of merger in which two or more enterprises create a new single venture. In this case, the merging companies cease to exist, and all their assets, rights and obligations are transferred to the new company created by the merger.

The merger is considered as a type of merger in which one enterprise joins another enterprise, ceases to exist, and all assets, rights and obligations are transferred to the existing enterprise [6].

Consequently, the concept of "merger" and "acquisition" in both foreign and in domestic scientific practice is often identified, although the methodological position is different concepts. At least, if the difference in the economic character of the

process of consolidation of assets turns out to be insignificant, the legal consequences of the recognition of property rights will be substantial.

One of the main trends in the analysis of integration processes is the motivation behind them, that is, the reasons that motivate market participants to implement the merger and acquisition process. Detecting the motives of mergers is very important, they reflect the reasons why two or more companies are united to be more expensive than separate ones. And the growth of the capitalized value of the merged company is the goal of most mergers and acquisitions.

The purpose of a financial investor is to increase the value of the company, since the ultimate goal is to resell the company or a share in it at a higher price. Financial investors can be investment funds, pension funds, insurance companies, banks.

The goals of a strategic investor include the growth of sales of products, reduced costs, increased market share, the expansion of the product line, the destruction of the competitor. A strategic investor is interested in acquiring the whole company or a significant share in it with the ability to participate in the management of the company. As a strategic investor, a company that deals with the same or similar business as a company that buys is usually a strategic investor.

The initiator of the transaction may be as a buyer who, for various reasons, considers possible targets for the acquisition, and a salesperson who can be put up for sale due to a difficult financial situation, high competition in the industry, and other reasons that have led the owners to believe, that their company has no prospects, working independently.

The main reasons that motivate companies for mergers and acquisitions can be divided on the basis of determining the directions of current activity and prospects for further development in the following groups:

- operational (motives related to the current, operational activities of the enterprise (production, sale));
- financial (formation of financial resources of the company, sources of financing, settlement of obligations);
- investment (motives related to investment activity);
- strategic motives (such as improving management efficiency, market research, relationships with partners / competitors, etc.).

There are two main reasons for financial investors: 1) to get a speculative benefit after reselling a

Table 1

Definition of the concept of "merger" and "acquisition" in various sources

«Merger»	«Acquisition»
An agreement in which one corporation is legally absorbed by another, which results in the absorber taking on its balance sheet all assets and liabilities of the absorbed corporation.	A process that assumes that shares or assets of the corporation become the property of the buyer. This transaction may take the form of buying shares or purchasing assets.
The union of two corporations, in which one of them survives, then the other ceases to exist. In merger, the company absorbs assets and liabilities that are absorbed.	A process that assumes that the shares or assets of the corporation become the property of the buyer.
Establish control over the company by buying up blocks of shares, shares in authorized capital and other forms of ownership, as well as consolidating two or more companies into one, by contributing to the authorized capital.	One company makes a proposal to buy shares of another company at a certain price and passes it in the form of advertising and postal messages to the shareholders; By entering in the same way, it bypasses the management apparatus and board of directors of the target company.
Reorganization of a legal entity, which changes the organizational structure of the company, all participants lose their rights, creates new legal relations within the new. Mergers of corporations are voluntary actions of two companies.	The process of buying one company from another, in which the first keeps its economic and legal autonomy.

Source: compiled by author on the basis of [10]

company or a stake in it at a higher price; 2) diversification of investments.

In turn, the main motive for making a decision about mergers or acquisitions by strategic investors is the desire to achieve a synergistic effect resulting from the merger of companies through mergers or acquisitions. A synergistic effect may arise from the growth of a market fate: it is logical that a merged company will have a total market share, at least in the initial period after the merger; reduction of costs due to the scale effect, availability of complementary resources and new technologies; extension of the product line; access to new markets and channels of sale [9]. These synergies can be attributed to the internal causes of the processes of mergers and acquisitions.

Mergers can improve the efficiency of merged companies, but they can also worsen the results of current production activities. Often, it is very difficult to estimate in advance how large changes may be due to mergers or acquisitions. According to the *Mergers&Acquisitions Journal*, 61% of all mergers and acquisitions do not pay back on their money. And a study of 300 mergers conducted by Price Waterhouse showed that 57% of companies formed as a result of mergers and acquisitions, lag behind their development indicators from other similar representatives of the market and are forced to again split into independent corporate units.

Experts usually indicate three reasons for failures of mergers and acquisitions:

- Incorrect assessment by the absorbing company of the attractiveness of the market or the competitive position of the absorbing company;
- Underestimation of the size of the investments necessary for the implementation of the merger or acquisition agreement;
- Mistakes made in the process of implementing the merger agreement [11].

Merger is an instrument for implementing the company's strategic plans. The rejection of the evolutionary mode of development, using only internal capabilities and resources, in favor of the revolutionary process, which is corporate integration, due to the need to respond to a changing market environment, outstrip the development of competitors. Acquisition of competitive advantages in the person of integration partners, their resources and opportunities in combination with the company's potential will contribute to effective activity in the current difficult financial crisis conditions.

Before starting mergers and acquisitions, you need to have a clear idea of why, united, companies will cost more than one. It is also necessary to evaluate possible economic benefits and costs. The calculation of the synergistic effect, which is the main goal for a strategic investor, is one of the most difficult tasks in analyzing the effectiveness of future mergers or acquisitions.

Mergers and acquisitions are considered by many companies as a means of optimizing production assets in line with the changing market situation to achieve competitive advantages. Experts engaged in research in this field are trying to formulate and substantiate their universal algorithms of merger and acquisition processes of enterprises.

For example, Watson Wyatt identified five main stages of company consolidation: task setting, situation assessment, research, negotiation, real association. In turn, a specialist in the field of corporate governance and control A.E. Molotnikov offers the following four stages of company mergers [12]:

the study of the company; conducting preliminary negotiations; implementation of measures aimed at absorbing the company; takeover of the enterprise and development of the management scheme of the received assets. Consequently, each researcher, depending on the depth and diligence of the process, determines its set of stages of realization of the process of mergers and acquisitions.

Let's consider the main stages of the implementation of transactions on mergers and acquisitions companies:

1. Developing a company strategy. An adequate choice of corporate strategy plays a crucial role in the company's successful development. At this stage, the company defines the direction of its development as a separate business structure, or focuses on the processes of mergers and acquisitions. Typically, the merger and acquisition plan serves as part of a strategic plan for corporate development. However, it should be noted that numerous studies of integration processes show that from 60% to 80% of corporations, even using a potentially successful strategy, do not achieve their goals [12].

2. Determination of criteria for the selection of the company. In order to succeed in mergers and acquisitions, it is usually not the company-leader in a particular industry who chooses to be high enough to choose a company, and the company's average in terms of efficiency. To find the appropriate target company, the buyer company first defines the main criteria that the desired firm must meet. Among the following criteria are the following: the opportunity to enter a new market, the introduction of a new industry, the expansion of a set of goods and services, sales volumes, assessment of the possibilities of management of the target company, the level of profitability, association with a public or private company.

3. Selection of potential merger candidates. Detected in the main criteria that the target company must meet, the buyer corporation begins to search for a suitable candidate. As a rule, finding the necessary company is either by the buyer's own forces, either through certain contacts in the industry, or through intermediaries. In most cases, the selection of the company for the merger is carried out by the corporation itself, since such companies are usually not very large.

4. Evaluation of the merge object. This phase of mergers and acquisitions of companies is characterized by a comprehensive analysis of the target company, namely financial, operational, legal, environmental assessment, strategic, cultural aspects, risk analysis, identification of synergies, etc. Having obtained the necessary information about the potential of the company, the buyer corporation decides to conclude an agreement with the chosen company or refuses it to another firm. Simultaneously with the analysis of the target company, the planning and assessment of transaction costs is carried out. The main costs for a transaction evaluated by the buyer company are the cost of the transaction, organizational costs during the transition period, costs associated with the employees of the company being purchased, etc. It should be noted that in case of disagreement of the target company with the implementation of the agreement provided by the firm-buyer, measures should be taken to neutralize the protection of the acquisition object from the hostile takeover.

5. Conduct negotiations with the object of the merger. This stage of M & A processes is characterized by mutual information of the parties,

and before the beginning of negotiations, the basic framework for providing data on both the buyer corporation and the target company is determined. As a rule, intermediaries resort to greater confidentiality. At this stage of mergers and acquisitions there is an exchange of information, on the basis of which the company-buyer determines for itself, the firm that is acquired for strategic purposes or not corresponds to it.

6. Execution of the agreement. After reaching an agreement on the terms of the company's merger or acquisition (company's purchase price, transaction structure, etc.), the legal arrangement of this transaction is carried out. In addition, before proceeding to the transaction, you need to obtain the appropriate permission of a certain authority.

7. Integration of the object of merger or acquisition. At this stage, the new structure of the merged company is being formed, the personnel of the enterprise are determined, the need for attracting new employees is assessed, the decision-making scheme is being developed, the integration of corporate crops, production processes, etc. [13]. Thus, integration is one of the most important stages in the process of mergers and acquisitions of enterprises.

Depending on the objectives, the following types of integration are distinguished:

- complete integration, in which there is an association of all types of activities of the company being acquired and the corporation-buyer; Distribution of the management model adopted by the firm-buyer to the acquisition object; making managerial decisions on the activities and functioning of the company;

- moderate integration, which involves the consolidation of individual economic functions of enterprises, and the control of these directions is carried out by the buyer company, but the business activities acquired by the company remains independent;

- minimal integration, which involves the consolidation of individual functions of companies, first of all, to achieve a certain saving of employees' wages; At the same time, the firm that is being acquired makes a decision independently, periodically reporting in a certain form to the company-buyer [14].

In the process of analyzing the relationship between processes of mergers and acquisitions and macroeconomic indicators distinguish certain factors that in varying degrees influence the development of the implementation of the processes of mergers and acquisitions.

The results of such mergers and acquisitions can be both positive and negative, for example, due to the incompatibility of corporate cultures, which may ultimately negatively affect the performance of the merged company.

Recently, there has been a rapid increase in the number and volume of M & A transactions in the world. Integration processes are changing structurally, they attract more and more regions and expand the scope of international agreements. For the business community, these processes have a clear logic, since they assume obvious economic motivation: expansion of markets, production synergy, financial benefits, that is, factors that lead to an increase in the value of equity.

All existing research on the approach to measuring the effects of mergers and acquisitions can be divided into four groups:

1. Study profitability of shares. These works, which make up most of the research in this field, consider an abnormal return on the shares of companies in the period when information on the transaction appeared. The advantage of the method is to directly analyze the effect of the agreement on the welfare of shareholders.

2. Analysis of financial statements. The approach is based on financial statements before and after the transaction, focusing on various relative indicators. Typically, similar non-absorbed companies are used as a precautionary comparison.

3. Survey managers. The approach analyzes the results of managerial surveys related to the results of the transaction. As a rule, the findings from standardized questionnaires are summarized in the entire sample.

4. Case studies. These work focuses on one transaction or a limited sample, using as a basis for analysis the data of in-depth interviews with managers and analysts. This method is very productive by the fact that a detailed study of the question can reveal new aspects that have not been investigated before [15].

Conclusions. Mergers and acquisitions are not limited to merger and merger agreements, but include all types of transactions in which corporate control over a company occurs through the purchase or sale of the entire company or a significant part of it.

The decision to engage the company in an M&A agreement is strategically important and can have many positive as well as negative consequences; therefore, the system's vision of the whole process is

Table 2

The main factors that influence the development of the implementation of the processes of mergers and acquisitions

Factors	Explanation
1. The level of capitalization of the stock market	Based on the data of the mergers and acquisitions market, analysts have shown a positive correlation between the growth of stock market capitalization, the growth of industrial production and the volume of mergers and acquisitions. This dependence is explained by the fact that one of the main forms of acquisition is the acquisition of shares of the target company on the stock exchange. In countries where the shares of most companies are not sufficiently represented on the stock market, and M & A transactions are mainly paid in cash, it is difficult to detect the relationship between the volumes of mergers and acquisitions and the level of stock market capitalization.
2. Dynamics and volume of GDP	As a result of the research, there is a positive relationship between the M & A market and the GDP growth rate, that is, active economic growth stimulates the rapid development of M & A transactions.
3. The level of market interest rate	The level of market interest rates significantly affects the volume of mergers and acquisitions. At the same time, there is a negative correlation between the M & A market and the nominal interest rates. Thus, the higher the interest rates and, consequently, the greater the cost of conducting M & A operations, the lower the profitability of the operations carried out, which negatively affects the activity of market participants in the implementation of such integration operations.
4. Legislation	Legislation regulating the activities of companies in the market of mergers and acquisitions, especially related to antimonopoly regulation, has a significant impact on the intensity of mergers and acquisitions and the timing of their implementation.

Source: compiled by author on the basis of [14]

of great importance; studying the potentialities and risks of a potential transaction, as well as defining the main objectives.

The merger and acquisition process consists of several stages, each of which requires a lot of attention from all parties involved. The complexity, durability and versatility of the merger and acquisition process usually requires the involvement of professional consultants at different stages of the transaction.

In general, the importance of mergers and acquisitions as an essential tool for improving the management of a company should be noted. At the same

time, the attitude to the results of such transactions in the world community is different. On the one hand, these processes can lead to a more efficient redistribution of capital and the rational use of company resources, allowing it to achieve significant positive financial results. On the other hand, the deal may prove to be unsuccessful and lead to a reduction in the efficiency of the company. However, in recent years there has been an intensification of mergers and acquisitions in the global economy, which indicates a high interest from market participants to this strategy.

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ТЕОРЕТИЧНІ ОСНОВИ ОПЕРАЦІЙ ЗЛИТТЯ ТА ПОГЛИНАННЯ В СУЧАСНІЙ СВІТОВІЙ ЕКОНОМІЦІ

Резюме

Статтю присвячено теоретичним аспектам угод злиттів і поглинань у сучасній світовій економіці. Визначено і проаналізовано основні теоретичні та прикладні аспекти процесів злиття і поглинання компаній. Досліджено стратегії злиттів і поглинань як інструменти управління корпорацією. Узагальнено підходи до класифікації злиттів і поглинань, учасників таких угод та їх мотивів. У цілому відзначено важливість угод злиттів і поглинань як істотного інструменту підвищення ефективності корпоративного управління.

Ключові слова: злиття і поглинання, M&A, мотиви, стратегічний інвестор, фінансовий інвестор, угода.

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ТЕОРЕТИЧЕСКИЕ ОСНОВЫ ОПЕРАЦИЙ СЛИЯНИЯ И ПОГЛОЩЕНИЯ В СОВРЕМЕННОЙ МИРОВОЙ ЭКОНОМИКЕ

Резюме

Статья посвящена теоретическим аспектам сделок слияний и поглощений в современной мировой экономике. Определены и проанализированы основные теоретические и прикладные аспекты процессов слияния и поглощения компаний. Исследованы стратегии слияний и поглощений как инструменты управления корпорацией. Обобщены подходы к классификации слияний и поглощений, участников таких сделок и их мотивов. В целом отмечена важность сделок слияний и поглощений как существенного инструмента повышения эффективности корпоративного управления.

Ключевые слова: слияния и поглощения, M&A, мотивы, стратегический инвестор, финансовый инвестор, соглашение.